



## MILLENNIUM CHALLENGE CORPORATION

[MCC FR 22-17]

### Report on the Selection of Eligible Countries for Fiscal Year 2023

**AGENCY:** Millennium Challenge Corporation.

**ACTION:** Notice.

**SUMMARY:** This report is provided in accordance with the Millennium Challenge Act of 2003, as amended. The report is set forth in full below.

### SUPPLEMENTARY INFORMATION:

Report on the Selection of Eligible Countries for Fiscal Year 2023.

#### SUMMARY

This report is provided in accordance with section 608(d)(1) of the Millennium Challenge Act of 2003, as amended (the Act) (22 U.S.C. 7707(d)(1)).

The Act authorizes the provision of assistance under section 605 of the Act (22 U.S.C. 7704) to countries that enter into compacts with the United States to support policies and programs that advance the progress of such countries in achieving lasting poverty reduction through economic growth, and are in furtherance of the Act. The Act requires the Millennium Challenge Corporation (MCC) to determine the countries that will be eligible to receive assistance for the fiscal year, based on their demonstrated commitment to just and democratic governance, economic freedom, and investing in their people, as well as on the opportunity to reduce poverty through economic growth in the country. The Act also requires the submission of reports to appropriate congressional committees and the publication of notices in the *Federal Register* that identify, among other things:

1. The countries that are “candidate countries” for assistance for fiscal year (FY) 2023 based on their per-capita income levels and their eligibility to receive assistance under U.S. law,

and countries that would be candidate countries, but for specified legal prohibitions on assistance (section 608(a) of the Act (22 U.S.C. 7707(a)));

2. The criteria and methodology that the Board of Directors of MCC (the Board) used to measure and evaluate the policy performance of the “candidate countries” consistent with the requirements of section 607 of the Act in order to determine “eligible countries” from among the “candidate countries” (section 608(b) of the Act (22 U.S.C. 7707(b))); and
3. The list of countries determined by the Board to be “eligible countries” for FY 2023, with justification for eligibility determination and selection for compact negotiation, including with which of the eligible countries the Board will seek to enter into compacts (section 608(d) of the Act (22 U.S.C. 7707(d))).

This is the third of the above-described reports by MCC for FY 2023. It identifies countries determined by the Board to be eligible under section 607 of the Act (22 U.S.C. 7706) for FY 2023 with which the MCC will seek to enter into compacts under section 609 of the Act (22 U.S.C. 7708), as well as the justification for such decisions. The report also identifies countries selected by the Board to receive assistance under MCC’s threshold program pursuant to section 616 of the Act (22 U.S.C. 7715).

### **ELIGIBLE COUNTRIES**

The Board met on December 8, 2022 to select those eligible countries with which the United States, through MCC, will seek to enter into a Millennium Challenge Compact pursuant to section 607 of the Act (22 U.S.C. 7706). The Board selected the following eligible countries for such assistance for FY 2023: Senegal, The Gambia, and Togo. The Board also selected the following previously selected countries for compact assistance for FY 2023: Côte d’Ivoire, Mozambique, Sierra Leone, and Zambia.

### **Criteria**

In accordance with the Act and with the “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account

Assistance in Fiscal Year 2023” formally submitted to Congress on September 27, 2022, selection was based primarily on a country’s overall performance in three broad policy categories: *Ruling Justly*, *Encouraging Economic Freedom*, and *Investing in People*. The Board relied, to the fullest extent possible, upon transparent and independent indicators to assess countries’ policy performance and demonstrated commitment in these three broad policy areas. The Board compared countries’ performance on the indicators relative to their income-level peers, evaluating them in comparison to either the group of countries with a GNI per capita equal to or less than \$2,045, or the group with a GNI per capita between \$2,046 and \$4,255.

The criteria and methodology used to assess countries, including the methodology for the annual scorecards, are outlined in the “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance for Fiscal Year 2023<sup>1</sup>.” Scorecards reflecting each country’s performance on the indicators are available on MCC’s website at <https://www.mcc.gov/who-we-select/scorecards>.

The Board also considered whether any adjustments should be made for data gaps, data lags, or recent events since the indicators were published, as well as strengths or weaknesses in particular indicators. Where appropriate, the Board took into account additional quantitative and qualitative information, such as evidence of a country’s commitment to fighting corruption, investments in human development outcomes, or poverty rates. MCC published a Guide to Supplemental Information<sup>2</sup> to increase transparency about the type of supplemental information the Board uses to assess a country’s policy performance. MCC also published webpages<sup>3</sup> regarding how MCC assesses performance on the new Employment Opportunity and revised Natural Resource Protection scorecard indicators. In keeping with legislative directives, the Board also considered the opportunity to reduce poverty and promote economic growth in a

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<sup>1</sup> Available at <https://www.mcc.gov/resources/doc/report-selection-criteria-methodology-fy23>

<sup>2</sup> Available at <https://www.mcc.gov/resources/doc/guide-to-supplemental-information>

<sup>3</sup> Available at <https://www.mcc.gov/who-we-select/indicator/employment-opportunity> and <https://www.mcc.gov/blog/entry/blog-101422-scorecard-indicator-employment> (Employment Opportunity) and <https://www.mcc.gov/who-we-select/indicator/natural-resource-protection> (Natural Resource Protection)

country, in light of the overall information available, as well as the availability of appropriated funds.

The Board sees the selection decision as an annual opportunity to determine where MCC funds can be most effectively used to support poverty reduction through economic growth in relatively well-governed, poor countries. The Board carefully considers the appropriate nature of each country partnership—on a case-by-case basis—based on factors related to poverty reduction through economic growth, the sustainability of MCC’s investments, and the country’s ability to attract and leverage public and private resources in support of development.

This was the fifth year the Board considered the eligibility of countries for concurrent compacts, as permitted under section 609(k) of the Act. In addition to the considerations for compact eligibility detailed above, the Board considered whether a country being considered for a concurrent compact is making considerable and demonstrable progress in implementing the terms of its existing compact.

This was the fourteenth year the Board considered the eligibility of countries for subsequent compacts, as permitted under section 609(l) of the Act. MCC’s engagement with partner countries is not open-ended, and the Board is deliberate when selecting countries for follow-on partnerships, particularly regarding the higher bar applicable to subsequent compact countries. While the Board did not select any new countries for subsequent compacts for FY 2023, the Board considered—in addition to the criteria outlined above—a country’s performance implementing its prior compact, including the nature of the country’s partnership with MCC, the degree to which the country has demonstrated a commitment and capacity to achieve program results, and the degree to which the country implemented the compact in accordance with MCC’s core policies and standards. To the greatest extent possible, these factors are assessed using pre-existing monitoring and evaluation targets and regular quarterly reporting. This information is supplemented with direct surveys and consultation with MCC staff responsible for compact implementation, monitoring, and evaluation. MCC published a Guide to the Program

Surveys<sup>4</sup> regarding the information collected and assessed for any country with an existing or prior compact or threshold program to ensure transparency about the type of information the Board considers regarding a country's performance on MCC programs, as relevant. The Board also considered a country's commitment to further sector reform, as well as evidence of improved scorecard policy performance.

In addition, this is the seventh year where the Board considered an explicit higher bar for those countries close to the upper end of the candidate pool, looking closely in such cases at a country's access to development financing, the nature of poverty in the country, and its policy performance.

### **Countries newly selected for compact assistance**

Using the criteria described above, two candidate countries under section 606(a) of the Act (22 U.S.C. 7705(a)) were newly selected for assistance under section 607 of the Act (22 U.S.C. 7706): **The Gambia** and **Togo**.

**The Gambia:** The Gambia has been a strong partner for MCC on its current \$25 million threshold program and is continuing to strengthen its democracy following the landmark 2016 elections. The Gambia passes the MCC scorecard for the fifth consecutive year in Fiscal Year 2023, passing 14 of 20 indicators overall, including the Control of Corruption and Democratic Rights "hard hurdles." Selecting The Gambia for a compact will allow MCC to deepen its partnership with a country that is demonstrating a clear commitment to MCC's eligibility criteria and to support the Government of The Gambia's efforts to strengthen economic and democratic governance and address its pressing development needs.

**Togo:** Togo is an engaged MCC partner and has markedly accelerated implementation of its \$35 million threshold program over the past year. Togo has also made efforts to strengthen its policy performance on the MCC scorecard over a number of years. In Fiscal Year 2023, Togo passes the scorecard for the seventh consecutive year, passing 14 of 20 indicators overall, with strong

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<sup>4</sup> Available at <https://www.mcc.gov/resources/doc/guide-to-program-surveys-fy23>

performance on the Control of Corruption “hard hurdle.” While the Government of Togo has overseen critical economic reforms, its performance on the Democratic Rights indicators on the MCC scorecard has declined in recent years, and it does not pass the Political Rights indicator. Selecting Togo for a compact will provide MCC the opportunity to continue partnering with a motivated government that is pursuing policies to reduce poverty and spur economic growth but is facing critical development challenges.

**Country selected for a concurrent compact:** In accordance with section 609(k) of the Act, one candidate country was newly selected to explore development of a concurrent compact for purposes of regional integration under section 607 of the Act (22 U.S.C. 7706): **Senegal**.

**Senegal:** Senegal is a dedicated MCC partner and is currently implementing a \$550 million compact focused on the power sector. Senegal has consistently met MCC’s scorecard criteria and in Fiscal Year 2023, it passes 14 of 20 indicators overall, with strong performance on the Control of Corruption and Democratic Rights “hard hurdles.” Senegal presents a substantial opportunity to explore potential investments that could promote regional economic integration, increased regional trade, or cross-border collaboration, particularly given its geographic location and ties to key regional organizations. By selecting Senegal for a concurrent regional compact, MCC can support efforts to strengthen economic growth, reduce poverty, and address development challenges facing both the country, and the wider region.

#### **Countries selected to continue compact development**

Four of the countries selected for compact assistance for FY 2023 were previously selected for FY 2022. **Mozambique, Sierra Leone, and Zambia** were selected to continue developing compacts. **Côte d’Ivoire** was selected to continue developing a concurrent compact for purposes of regional integration. Selection of these countries for FY 2023 was based on an assessment of their policy performance since their prior selection and their progress in developing programs with MCC.

#### **Country selected to receive threshold program assistance**

The Board selected **Mauritania** to receive threshold program assistance for FY 2023.

**Mauritania:** Mauritania offers MCC the opportunity to engage with a country that faces significant challenges to economic growth and that is demonstrating a trajectory of reform on the MCC scorecard. While Mauritania does not pass the MCC scorecard in FY 2023 due to not passing the Democratic Rights “hard hurdle,” it passes the Control of Corruption “hard hurdle,” passes 10 of 20 indicators overall, and has taken steps to improve its performance in recent years. Mauritania’s 2019 elections marked its first peaceful transfer of power and provided a further impetus to the country’s gradual reform process and efforts to strengthen democratic governance, fight corruption, undertake economic reforms, and address longstanding human rights issues including trafficking in persons and hereditary slavery. By selecting Mauritania for threshold program assistance, MCC can engage with the Government of the Islamic Republic of Mauritania to continue efforts to strengthen its policy performance, make critical policy and institutional reforms, and address the country’s development needs for the people of Mauritania.

#### **Country selected to continue developing threshold programs**

The Board selected **Kiribati** to continue developing a threshold program. Selection of Kiribati for FY 2023 was based on its continued strong policy performance since its prior selection and its progress developing its threshold program.

#### **ONGOING REVIEW OF PARTNER COUNTRIES’ POLICY PERFORMANCE**

The Board emphasized the need for all partner countries to maintain or improve their policy performance. If it is determined during compact implementation that a country has demonstrated a significant policy reversal, MCC can hold it accountable by applying MCC’s Suspension and Termination Policy<sup>5</sup>.

Authority: 22 U.S.C. §7707(d)(2))

Dated: December 13, 2022.

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<sup>5</sup>Available at <https://www.mcc.gov/who-we-select/suspension-or-termination>

**Thomas G. Hohenthanner,**  
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